

Message Text

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64

ORIGIN L-01

INFO OCT-01 SS-14 ISO-00 NEA-07 EB-03 NSC-05 NSCE-00 INR-05

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EB/CBA:DABRAMANTE

NEA/ARP:FDICKMAN

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FM SECSTATE WASHDC

TO AMEMBASSY ABU DHABI IMMEDIATE

AMEMBASSY ALGIERS IMMEDIATE

AMEMBASSY AMMAN IMMEDIATE

USINT BAGHDAD IMMEDIATE

AMEMBASSY BEIRUT IMMEDIATE

AMEMBASSY CAIRO IMMEDIATE

AMEMBASSY DAMASCUS IMMEDIATE

AMEMBASSY DOHA IMMEDIATE

AMEMBASSY JIDDA IMMEDIATE

AMEMBASSY KHARTOUM IMMEDIATE

AMEMBASSY KUWAIT IMMEDIATE

AMEMBASSY MANAMA IMMEDIATE

AMEMBASSY MOGADISCIO IMMEDIATE

AMEMBASSY MUSCAT IMMEDIATE

AMEMBASSY NOUAKCHOTT IMMEDIATE

AMEMBASSY RABAT IMMEDIATE

AMEMBASSY SANA IMMEDIATE

AMEMBASSY TRIPOLI IMMEDIATE

AMEMBASSY TUNIS IMMEDIATE

INFO AMEMBASSY LONDON IMMEDIATE

AMEMBASSY TEL AVIV IMMEDIATE

AMEMBASSY PARIS IMMEDIATE

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LIMDIS

E.O. 11652:N/A

TAGS: ETRD, EFIN, PFOR

SUBJECT: FEDERAL RESERVE BOARD ACTS AGAINST ARAB BOYCOTT

AMMAN FOR ATHERTON; PARIS PASS SOBER

1. FOLLOWING ARE DEPT'S PRELIMINARY COMMENTS ON ACTION AGAINST ARAB BOYCOTT BY BOARD OF GOVERNORS OF FEDERAL RESERVE SYSTEM WHICH WE LEARNED OF TODAY. TEXT OF PRESS RELEASE DATED DECEMBER 16 AND LETTER DATED DECEMBER 12 SENT BY IMMEDIATE SEPTTEL.

2. DEPT WAS NOT INFORMED OF FOREGOING ACTION UNTIL DECEMBER 17.

3. DESPITE REFERENCES IN FEDERAL RESERVE BOARD (FRB) PRESS RELEASE AND LETTER TO PRESIDENT'S NOVEMBER 20 STATEMENT, FRB'S ACTIONS GO FAR BEYOND PRESIDENT'S ACTIONS WHICH STRESSED NECESSITY FOR AVOIDANCE OF DISCRIMINATORY ACTION BY USG AGENCIES OR REGULATED INDUSTRIES. FRB STAFF ADVISES BOARD WENT BEYOND PRESIDENT'S STATEMENT BECAUSE OF FRB'S JUDGMENT THAT ITS REGULATORY RESPONSIBILITIES AND HEAVY FEDERAL INVOLVEMENT IN BANKING INDUSTRY NECESSITATED STRONGER ACTION TO COMPLY WITH POLICY REFLECTED IN 1969 EXPORT ADMINISTRATION ACT.

4. FRB'S LETTER LACKS FORCE OF LAW BUT THERE IS TRADITION OF RESPECT FOR BOARD'S VIEWS BY ALL PARTICIPANTS IN FEDERAL RESERVE SYSTEM (5800 BANKS). THOUGH SEVERAL THOUSAND STATE CHARTERED BANKS WHICH DO NOT PARTICIPATE IN FEDERAL RESERVE SYSTEM WOULD NOT BE AFFECTED BY LETTER, FRB STAFF ADVISES THESE ARE PRIMARILY SMALL BANKS NOT INVOLVED IN INTERNATIONAL COMMERCE. FRB'S ACTION ALSO INAPPLICABLE TO BRANCHES OF FOREIGN BANKS, WHICH ARE SUBJECT ONLY TO STATE (E.G. NEW YORK) REGULATION.

5. WE WOULD ANTICIPATE THAT FRB'S ACTION WILL GENERATE CONFIDENTIAL

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CONSIDERABLE TURMOIL IN ARAB WORLD SINCE MOST ARAB LETTERS OF CREDIT CONTAIN AT LEAST NEGATIVE CERTIFICATION BY EXPORTER THAT PRODUCTS ARE NOT OF ISRAELI ORIGIN AND WILL NOT BE SHIPPED THROUGH ISRAEL OR ISRAELI PORTS. OUR INITIAL AND VERY PRELIMINARY ASSESSMENT IS THAT UNLESS FRB CLARIFIES THAT ITS VIEWS DO NOT APPLY TO CERTIFICATION ABOUT SHIPMENT ON ISRAELI VESSELS OR THROUGH ISRAELI PORTS AND UNLESS ARAB IMPORTERS AGREE TO ACCEPT

CERTIFICATE OF ORIGIN IN LIEU OF NEGATIVE BOYCOTT
CERTIFICATION, WE DOUBT BANK PARTICIPANTS IN FEDERAL
RESERVE SYSTEM WILL CONTINUE TO PROCESS CUSTOMARY ARAB
LETTERS OF CREDIT. UNDER CIRCUMSTANCES DESCRIBED ABOVE,
BEST WE CAN DO AT THIS MOMENT IS REQUEST POSTS COUNSEL
MODERATION ON PART OF HOST GOVERNMENTS TO PROVIDE OPPOR-
TUNITY FOR ALL PARTIES TO REVIEW AND CONSIDER RESPONSE
TO FRB LETTER. INGERSOLL

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